

redesign of the prevailing business model in the automotive industry to address concerns of profitability, the gap between the production system and the market, the social dimensions of work, and environmental concerns, the article had offered the micro factory retailing (MFR) model as a sustainable alternative and made a case for it along economic, social, and environmental dimensions. The MFR model envisaged the combination of the manufacturing and the distribution operations in one entity, access to customised, environmentally-friendly products, more varied work and stable employment patterns, and environmental advantages resulting from change in product technology.

The original article is first featured, followed by a commentary that traces the new developments with regard to sustainable business models and the automotive industry.

Of the three main areas where the commentary sees new developments, first is the burgeoning academic interest in business model innovation following the acceptance of potentially important co-determinations between technological and organisational change. Second is a sensitising of government policy towards business models, particularly with respect to the introduction of new technologies, and a recognition that innovations in business organisations must parallel innovations in technology. Third, with

specific regard to the automotive industry, significant structural trends traced in the original paper have matured and the practical application of the concepts in the original paper has emerged, most notably with respect to electric vehicles. The "ecosystem" way of understanding change in the automotive industry is emerging, challenging standalone business models, as previously distinct systems can no longer maintain barriers against other systems. The conditions are potentially right for an extended automotive industry with multiple stakeholders with new value creation systems, and for the creation of new business models.

INTERVIEW: ECONOMIC GROWTH CANNOT BE TAKEN FOR GRANTED: NEED FOR URGENT REFORMS

AN INTERVIEW WITH DR A. VIRMANI, FORMER EXECUTIVE DIRECTOR, INTERNATIONAL MONETARY FUND AND FORMER CHIEF ECONOMIC ADVISOR, GOVERNMENT OF INDIA

Charan SINGH

The Indian economy has experienced a downturn in recent years. The overall global scenario has been one of the causal factors for this as exports were directly impacted and the current account deficit (CAD) widened. On the domestic front, declining investment and weak aggregate demand have been some of the key factors for this downward trend. A combination of the slowing domestic economy along with uncertainties in the

global economy affected important macro variables in India. By end of 2012 India saw itself in a grim situation with high twin deficits. The CAD to gross domestic product ratio touched an all-time record high of 6.7% in the last quarter of 2012.

To address the situation, policy makers urgently need to focus on some crucial matters which include reduction of CAD and containing fiscal deficit. Also, there is need to revive demand – and that would

need sustained reforms, to bring in an upturn in the investment climate and investor sentiments. Policy reforms in India – regulatory as well as institutional, would need to be considered on priority basis.

Dr A Virmani discusses the issues detailed above with Prof Charan Singh of the Indian Institute of Management Bangalore.

ROUND TABLE

LOCAL INNOVATION: THE KEY TO GLOBALISATION

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The innovation activity of multinational enterprises (MNEs) in developed countries has received much scholarly attention. However, the recent surge of MNE research and development (R&D) activity in emerging countries brings up some interesting questions that are relevant for academics and practitioners alike.

The first part of this Round Table article gives a brief overview of our current understanding of MNE R&D activity in emerging markets. Outlining the course of evolution of MNE R&D centres in India, the

note draws attention to the increasing importance of India and India-like markets and inquires how MNE R&D centres are adjusting their innovation strategy and structure to align with this emergent trend. The note further highlights the idiosyncratic nature of emerging markets such as India and questions how MNEs are approaching the challenge of innovating for these markets. The second part of the article gives an account of the Round Table discussion comprising panelists who are leading and consulting with MNE R&D centres in India.

Their collective wisdom illuminates the opportunities and challenges encountered in India and the strategies that have been effective in harnessing local potential. Gopichand Katragadda, Managing Director of GE India Technology Centre, emphasises the importance of customer facing experience to build world class engineering teams. He says this experience was critical in driving an understanding of what was of value to Indian customers. GE used this understanding to create value products that